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DEPARTMENT FOR G, DRL, S/P, WHA/PPC AND WHA/AND

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SUBJECT: DEMOCRACY PROMOTION STRATEGIES FOR ECUADOR

REF: SECSTATE 169581

1. (SBU) Summary: With serious democratic deficiencies fueling political and economic instability in Ecuador, we welcome the Department's enhanced emphasis on democracy promotion and its decision to include Ecuador among countries to receive priority attention. After engaging all elements of the country team, as well as key contacts in the donor and IFI community, the Ecuadorian political class and civil society, in discussion of the causes and effects of democratic instability here, we have developed a plan to augment and focus our democracy support. As Secretary Rice has stated, building a stable functioning democracy in Ecuador will take "sustained effort over many years, even decades, to address successfully." This cable reports on the shorter-term aspects of our strategy. SepTel will outline medium and longer-term strategies. Meanwhile, the Ecuadorian people and government themselves continue to debate possible democratic reforms, which will affect the parameters for potential change. End Summary.

Democracy is Broken Here

2. (SBU) Not one of the last three democratically elected presidents of Ecuador successfully served out his term, and Ecuador has had seven presidents during the past nine years. The institutional disarray of the executive branch is replicated in the judicial and legislative sectors. The country remains without a Supreme Court or Constitutional Court since April, and permanent replacements for the Attorney and Controller Generals have not been selected. The lack of strong nationally based political parties makes for an Ecuadorian Congress more responsive to regional and personal interests than any national agenda.

3. (SBU) While the causes of popular discontent and the composition of the popular forces that provoked the fall of the last three elected presidents have varied, the result has been the same: an irregular change of government caused by popular protests in the capital and a return to the status quo ante. The danger of democratic backsliding is very real, whether in the form of a tradition of strongman military or civilian solution or a more populist "Bolivarian" movement.

4. (SBU) Almost all Latin American countries have achieved good macroeconomic performances in recent years; however, some have suffered from acute political fragility, with elected leaders being forced to resign in several Andean nations due to protests and unrest. The divergence between favorable economic development and worrisome political trends in some parts of Latin America raises the importance of political stability as a key element of creditworthiness. As Ecuador's rating declines, its prospects for attracting the investments necessary for income and employment growth will also decline, feeding popular discontent.

Key Areas of Democratic Deficit

5. (SBU) Ecuador's judiciary suffers from corruption at the highest levels, undermining the integrity and image of the whole system. Moreover, Ecuador has been without its top courts since Congress dissolved the Supreme and Constitutional Courts on April 27, after the fall of the Gutierrez government. Fortunately, in the absence of a Supreme Court and Constitutional Court, the Superior Courts, Provincial Tribunals, and lower courts have continued to operate, albeit also subject to corruption. Slow progress is being made on implementation of an oral accusatorial system and on adoption of a justice of the peace system, local level mediators, and public defenders, reforms that would bring more transparency to the justice process as well as making it more efficient and accessible at the local level.

6. (SBU) At critical moments of political instability, politicians and military demonstrate little respect for the constitution, undermining faith in all democratic institutions. The standard response here has been to debate reforms or changes to the constitution (Ecuador has had 18

since independence in 1821), rather than to change the incentives for undemocratic behavior. President Palacio is following that tradition by proposing a constitutional referendum for December 11, 2005. The contents of the referendum will be determined through negotiation with Congress, which presents some risk to USG interests. Fundamental electoral reforms could seriously challenge election authorities preparing for the 2006 national election.

17. (SBU) Intense political fragmentation is another democratic challenge, preventing consensus on the appointment of key independent authorities (the outgoing Attorney and Controller Generals have yet to be permanently replaced), and denying the central government needed security against capricious impeachment attempts.

Desired Outcomes Over Next 6-8 Months

18. (SBU) To strengthen Ecuadorian confidence in democracy and promote more responsible democratic behavior, the GOE must make several key reforms in compliance with its constitution and the Inter-American Democratic Charter.

Over the next six to eight months, we hope to see:

-- Independent Supreme and Constitutional courts selected and properly functioning, after effective international and national oversight of the selection process;

-- The costs for corrupt behavior by public officials increase, either by prosecution or resignation in response to negative public opinion;

-- USG interests in an FTA, the Forward Operating Location at Manta, and security cooperation protected from inclusion in any popular referendum;

-- Congress overcome internal differences to appoint new Attorney and Comptroller Generals, currently only filled on an interim basis;

-- The Palacio administration not subject to any unconstitutional challenge;

-- Electoral reforms fully implemented prior to the opening of the 2006 elections, with a focus on voter education and campaign financing transparency.

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Mission Strategy to Achieve 6-8 Month Objectives
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19. (SBU) To encourage these outcomes, we have established mission-wide democracy promotion and elections working groups to monitor democratic progress and the elections process. The democracy promotion group will:

-- Leverage OAS technical assistance to the court selection committee to ensure selection of a qualified Supreme Court, which will in turn set procedures to select a new Constitutional Court;

-- Help the GOE design a strategy to lower the risk of rejection of the new Supreme Court by referendum or other challenge;

-- Encourage informed debate on electoral and political reforms being considered for inclusion in the referendum, while shielding USG security and trade interests from inclusion;

-- Encourage political party dialogue to reach consensus on selection of Attorney and Controller Generals;

-- Enhance national political stability by strengthening local government transparency through USG-funded citizen oversight efforts and infrastructure development at the municipal and village level;

-- Apply USG visa ineligibility for corruption against selected high and mid-level government officials;

-* Promote military respect for civilian authority using all available resources.

110. (SBU) With major electoral reforms under discussion, some of which could make implementation of elections more difficult, and despite legal constraints (Nethercutt amendment) against support for GOE institutions, the election working group will:

-- Support free, fair, transparent and inclusive elections that will be accepted by all sectors of Ecuadorian society.

-- Identify ways the USG can support implementation of key electoral reforms approved by referendum, possibly including election by congressional district, institution of political party primaries, and new campaign financing rules;

-- Increase participation in the 2006 elections by minorities (indigenous and Afro-Ecuadorians);

-- Support voter education and public awareness campaigns, including debates, domestic election observation efforts and a quick count.

-- Support citizen oversight of campaign finance disclosure requirements;

-- Support OAS technical assistance to the Supreme Electoral Tribunal (TSE);

-- Redouble our public diplomacy efforts, working with the public sector, civil society and the media, particularly at the provincial and municipal levels, to engage the Ecuadorian people during this time of democratic rebuilding.

Major Needs From the USG

11. (SBU) High-level dialogue between the GOE and top USG officials would advance our democracy agenda here. Many Ecuadorians have internalized their recent record of democratic shortfalls, and seem resigned to continued failure. USG motives are deeply suspect in many sectors, yet most Ecuadorians still look to us to help them solve their problems. Building on the Secretary's successful UNGA meeting with President Palacio, visits by other high level USG officials would highlight our diplomatic and public diplomacy outreach efforts in support of Ecuadorian democracy.

12. (SBU) We also recommend increased election support to the OAS. To signal USG support for rule of law, we request Department action with interagency players to deport wanted Ecuadorian criminals from the United States. We strongly support efforts to seek a waiver to permit IMET programs to continue despite Article 98 sanctions. Without it, the costs of losing access to a generation of Ecuadorian military could be catastrophic for our long-term democracy promotion efforts. Finally, additional funding for our democracy promotion efforts is essential. Current AID funding levels of \$7,316,800 in FY 05 for democracy and governance are inadequate to the dimensions of the problems we face here.

Major Impediments

13. (SBU) Nethercutt/Article 98 restrictions that prohibit support to the GOE greatly hinder USG ability to effect change. These restrictions have already undercut USG civilian-military educational exchange programs, putting at risk our influence over an entire generation of officers. Nethercutt restrictions also undermine USG democracy building efforts with local governments and hamper policy reform efforts with a wide array of Central Government institutions, including the Electoral Tribunal, other courts, and the Trade and Environment Ministries. Other important impediments include lack of consensus here on which reforms will enhance democracy, and time constraints that reduce GOE ability to achieve that consensus.

Countries With Influence

14. (SBU) Spain is already working to support the political reform process. Chile is highly regarded as an ally by most Ecuadorians. Venezuela and Cuba seek to increase their influence in Ecuador through financial assistance and social exchanges, respectively. Colombia is a neighboring country viewed skeptically due to fear of negative consequences from its civil conflict. We intend to work with Chileans and Spanish counterparts to leverage our efforts.

GOE Democracy Promotion Efforts

15. (SBU) The GOE supports ongoing USG-funded judicial reform, and is promoting dialogue on a variety of possible constitutional reforms that would be carried out via public referendum (tentatively scheduled for December 11, 2005) including, possibly, ratifying the selection procedures for a new Supreme Court and creation of a new electoral court, election by district, creation of a Senate, presidential impeachment by recall vote, reduction in the period Congress meets, de-politicization of the electoral tribunal, and

reduction of the one-year delay in consideration of constitutional changes not deemed by Congress to be of national urgency.

Consequences of Pursuing Reform

16. (SBU) A more aggressive USG reform agenda in the context of the Inter-American Democratic Charter and orchestrated with Chile, Spain and the IFIs (CAF, WB, and IDB) would help limit possible backlash against higher USG visibility. Working through other like-minded nations and institutions would help avoid unhelpful skepticism, and potential political attacks against USG interests during a pre-electoral year. So far the reception to our efforts to coordinate with international donors on democracy promotion has been open and constructive. By speaking from the same page with other donors and supporting legitimate pro-democracy civil society organizations, we may be able to help Ecuador through this transition period toward more responsible and effective rule of law, governance, and citizen participation to the benefit of all.

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